

FINANCIAL RECOVERY PLAN

SECOND AMENDMENT

PENN HILLS SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA



Prepared for the
Penn Hills School District
By

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Executive Summary

Finances: Since June of 2019, Penn Hills has made significant progress with a few financial indicators. First and foremost, the negative \$12(M) million fund balance from school year (SY) 2018-19 has been nearly eliminated. Second, the District has not requested an advance on its Basic Education Subsidy to pay bills on time. Third, the District avoided application for a Tax Anticipation Note to pay salaries through the summer months. Fourth, the board approved a balanced budget for the 2020-21 SY. Finally, cash flow issues that typically appear in the spring have subsided.

However, while several factors impacted the 2019-20 budget, savings from the pandemic masked the shortfall of revenue that would have surfaced during a typical school year. The District's underlying financial structure remains unbalanced. Dissipating one-time funds that the District relies upon each year continues to challenge the board's ability to balance its annual budget without a tax increase. The 2020-21 tax increase mitigated some of the financial shortfall for one year, but the board's reluctance in June 2019 to generate \$2.8M in recurring tax revenue still impacts the District's budget today.

Moving forward, **the District must raise taxes in moderation to avoid a major setback with its recovery efforts.** Without incremental tax increases, the board risks repeating the same mistakes of prior decision-makers that led the District into moderate financial recovery status.

The Second Amendment highlights five major financial themes: 1) strategically raising taxes to avoid a potential financial setback, 2) developing an effective communication plan to control charter school enrollments, 3) implementing the cost-savings strategies identified in the PASBO reviews, 4) addressing transparency, and 5) effectively and efficiently managing operational, capital, and educational systems by tactically funding necessary expenditures identified herein.

Academics: Many of the initiatives in the Financial Recovery Plan associated with the academic program have been introduced in all school buildings. There were five positive highlights: 1) a sense of urgency among the staff to become more collaborative, 2) the virtual delivery of a universal and rigorous core curriculum during the pandemic, 3) an emphasis on formative assessments to facilitate teaching and learning, 4) an increase in classroom walkthroughs by principals, and 5) middle school reform.

However, fidelity is a goal that fell short. The pandemic interrupted efforts to drive the academic initiatives consistently into every classroom. The learning curve for staff, students, and parents regarding remote education has been a challenge.

Moving forward, the District must build upon the inroads made with the existing academic initiatives rather than create additional strategies to implement. The District must embrace the changing instructional landscape by continuing to use the technology made available through the pandemic.

The Second Amendment focuses on the following: 1) providing relevant professional development, 2) increasing collaboration time, 3) improving school climate/culture, 4) addressing diversity and equity, and 5) **understanding how these four components impact student achievement and charter school enrollment.**

NOTE: Please note that the Financial Recovery Plan, nor the two Amendments, are presented as a panacea to higher achievement. The academic initiatives emphasize fundamental educational tenets that can facilitate any academic reform effort that the District may deem viable.

Introduction

On June 29, 2019, the Penn Hills School District (PHSD) approved the Financial Recovery Plan (FRP), and on June 29, 2020, the PHSD approved the First Amendment to that plan (See Appendix A). Nine months into the recovery efforts, the coronavirus pandemic hit the country, and it impacted the District’s financial recovery over the ensuing twelve months. Because of the pandemic and a review of the District’s progress since June of 2019, a second amendment is warranted. Over four months, January-April 2021, stakeholder groups provided input and feedback for this Second Amendment.

The original Financial Recovery Plan and the First Amendment remain live documents. The directives in both shall be carried out as described unless otherwise addressed in the Second Amendment.

Some of the directives included in the Second Amendment have been initiated by District leadership during the 2020-21 school year. They are designated as “IN PROGRESS.” In other initiatives, some of the language was amended for clarity purposes, and some language was added to clarify expectations moving forward. Those initiatives are designated as “REVISED.” See Appendix B for a Progress Report on the FRP.

Below is a Crosswalk connecting the initiatives identified in the Second Amendment to the initiatives identified in the original Financial Recovery Plan.

Second Amendment Initiatives	Descriptor	Financial Recovery Plan Initiatives	Descriptor
OPSY 1.1	PASBO Custodial and Facilities Recommendations	OPSY 1	PASBO Facilities Review
OPSY 2.1	PASBO Transportation Recommendations	OPSY 2	PASBO Transportation Review
OPSY 6.1	PASBO Technology Recommendations	OPSY 6	PASBO Technology Review
FIN 1.1	Short-Term and Long-Term Debt Service Plan	FIN 1	Long-Term Debt Service Plan
OPE 13	Procurement Policy	N/A	
OPE 14	Tax Assessment Appeal Policy	N/A	
OPE 15	Public Meetings Policy	N/A	
OPE 6.1	Focused Board Training	OPE 6	Board Training
REV 11.1	Public Relations – Charter School Strategy	REV 11	PR – Charter School Committee
OPE 3.1	Accounting Manual	OPE 3	Administrative Procedures
CBA 3.1	Negotiations: Specifics	CBA 3 - 7	Negotiations: General
REV 1.1	Raise Taxes/ESSER Funds	REV 1, OPE 12 & 1st Amend (2020)	Fund Balance & Raising Taxes
CBA 3.2, ACA 3.1, 5.1, & 7.1	Negotiations: Language Impacting Achievement	CBA 3 & ACA 3, 5, 7	Negotiations: General: Improving Achievement
CBA 4.1, ACA 1.1 & 4.1	Negotiations: Language Impacting Achievement	CBA 4 & ACA 1, 4	Negotiations: General: Improving Achievement
ACA 14	Technology 1: 1 Student-to-Device	N/A	
ACA 15	Pandemic Learning Loss Plan	N/A	
ACA 16	Curriculum	N/A	
ACA 3.2 & 5.2	Professional Growth	ACA 3, 5	Improving Achievement
OPSY 4.1	Special Education	OPSY 4	Special Education Audit
ACA 7.2	Middle School Concept	ACA 7	Middle School Transformation
ACA 7.3	Extend Security Model	ACA 7	School Culture
ACA 3.3, 5.3, 7.4	Revise Disciplinary Practices	ACA 3, 5, 7	Improve Achievement/Culture
ACA 8.1	Absenteeism	ACA 8	Absenteeism
ACA 17	Diversity & Equity	N/A	

Finances

The District has made significant progress with improving its financial picture. The most impressive improvement is with its fund balance. In June of 2019, the fund balance was at a negative \$12 million. According to the District's independent auditor report and the Annual Financial Report (AFR) for the 2019-20 SY, the District's fund balance is now at a negative (\$245,748). Some major factors impacting the quick turn-around are "one-time" financial enhancements, such as the bond refinancing, school building sales, and additional state funds. Factors also include operational savings resulting from the state-ordered closing of schools from March 2019 -June 2019. They include, but are not limited to, transportation, utilities, supplies, security, substitutes, overtime wages, and athletics.

Other good news about the finances involves an improvement with cash flow. In the spring of 2020, the District was able to eliminate its reliance on a Tax Anticipation Note (TAN) allowing the District to retain a higher cash balance to meet its obligations in the 2019-20 SY. Also, the District did not request an advancement of its Basic Education Subsidy during the 2019-20 SY and the 2020-21 SY. The District was also able to use \$1M in transitional loan funds (made available through the Financial Recovery Act) to remit a charter tuition payment in the spring of 2020, protecting its cash flow position. Finally, as per language in the First Amendment directing the board to raise real estate taxes, the District passed a balanced budget for the 2020-21 SY.

While there has been progress, there is still concern regarding the District's underlying financial structure. Moody's credit rating has consistently cited the District's imbalanced underlying financial structure. In other words, the District's reliable/recurring revenue does not align with its expenditures. Cash flow issues have improved over the past twelve months. However, without the adequate amount of recurring revenue, cash flow during the second half of the fiscal year will always be in jeopardy. The possibility of another TAN will materialize every spring.

Additionally, the Second Amendment includes initiatives that will require priority funding to appropriately manage operational costs such as capital projects and replenishment/replacement cycles for technology, vehicles, and equipment. Financial support for educational programming will require additional resources, including staff. Hence, the District must establish a stable revenue source to manage its yearly operations, to strengthen its cash flow position, to replenish its fund balance, to balance its budget without relying on one-time funds, and most importantly, to support its academic programs.

In February of 2021, the District was notified that it will receive Elementary and Secondary School Emergency Relief (ESSER) II funds in the amount of \$5.7M. These funds will complement the \$1.15M of ESSER I funds received in May of 2020. The District will also receive ESSER III funds totaling \$11.35M. The use of these funds is intended for pandemic relief and are considered one-time funds; therefore, usage of these funds must be accompanied with a plan to track one-time expenditures and address on-going increasing operational costs as the ESSER funds are fully expended by September 30, 2024.

Following are the new and revised initiatives addressing the District's finances moving forward.

OPSY 1.1	The PHSD shall follow the recommendations provided in the PHSD Custodial and Facilities Review as presented by the PA Assoc. of School Business Officials (PASBO).	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Cost avoidance/Preventative maintenance (\$325,000 savings cited in the PASBO review) Qualified use of ESSER funds (Three years: \$1.9M, \$703K, and \$718K)
	Responsible Parties	Superintendent, School Board, Business Manager, Director of Plant Services, CRO REVISED – EXTENSION OF OPSY 1

Rationale:

As directed through Initiative **OPSY 1 (p.75)** in the Financial Recovery Plan (FRP), the District contracted with PASBO to conduct a custodial and facilities review. In the fall of 2019, PASBO presented their findings and recommendations. The review contains over thirty recommendations that the District should address. Guidelines, forms, processes, etc. are provided in the review to assist the District. As cited by PASBO, top priority shall be given to boilers/chillers/controls-energy savings, preventative maintenance, staff training, capital projects, and contracted services. Additionally, the District shall create inventory lists for supplies, parts, and tools – verified and updated regularly. The Director of Plant Services shall develop a checklist to track the status of all the recommendations in the report. This progress report shall be shared at monthly Safety, Buildings and Grounds Committee meetings. To implement the strategies identified through the PASBO review, the District shall:

1. The GESA project is long overdue. The project includes boilers, chillers, and controls. This project was on schedule to be completed before the 2020-21 winter season, but it was delayed. The delay has led to the District struggling through the winter months with sporadic heating issues in the high school and the elementary school. It is anticipated that during the upcoming summer months, there may be similar issues with cooling. The project must meet the District’s needs as recommended in PASBO’s review, and ESSER funds shall be appropriately used to complete it. The Director of Plant Services shall report progress at monthly Safety, Buildings and Grounds Committee meetings.
2. The preventative maintenance component must include, but not be limited to, a schedule of preventative maintenance jobs identified by building and equipment; and it shall include dates/times of completion and name of person who performed it. The Director of Plant Services shall report progress at monthly Safety, Buildings and Grounds Committee meetings.
3. The staff training must align with the recommended areas from the PASBO review. The Director of Plant Services shall receive appropriate training as well. Trainings shall be prioritized and planned as part of the budgetary process. The Director of Plant Services shall report progress at Safety, Buildings and Grounds Committee meetings.

NOTE: Funding for #2 and #3 shall be included in the operational budget each year.

4. A capital projects list (5-year cycle), including athletic facilities, shall be developed by responsible parties and approved by the school board. The list shall address the replacement of equipment and vehicles as well. The projects shall be ranked by building and include estimated costs. All GESA projects shall be first priority. PASBO recommends that at least 1% - 2% of the budget is designated for capital improvement projects. This designated revenue stream will provide stability needed for long-range facility planning, to address capital repairs and improvements, and to avoid a steady decline of the conditions of the District facilities. **Because of ESSER funds, the District's re-current facility problems can be resolved.** The District's capital improvement plans should be shared publicly as part of its public relations message. The Director of Plant Services shall report at Safety, Buildings and Grounds Committee meetings.

5. The District shall utilize contracted services as identified in the review and in accordance with the procurement policy of the District (i.e., boilers, preventative maintenance, snow removal, equipment inspections).

OPSY 2.1	The PHSD shall follow the recommendations provided in the PHSD Transportation Review as presented by the PA Association of School Business Officials (PASBO).	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Potential significant cost savings and/or an increase in reimbursement for transportation by narrowing the \$3 million spending gap vs total approved costs as cited in the PASBO review.
	Responsible Parties	Superintendent, School Board, Business Manager, Transportation Coordinator, CRO REVISED – EXTENSION OF OPSY 2

Rationale:

As directed through Initiative **OPSY 2 (p.75)** in the FRP, the District contracted with PASBO to conduct a transportation review. In the winter of 2020, PASBO presented their findings and recommendations. The review contains recommendations that the District shall implement. Guidelines, formulas, processes, etc. are clearly detailed in the review to assist the District. As PASBO cited, top priority shall be given to implementing “fare-based” subsidy strategies and “right-sizing” the fleet. The District shall review and implement the guidelines and suggestions in the report regarding subsidy calculations and transporting special needs students. The administration shall report yearly progress during the annual budget planning process. To implement the strategies identified through the PASBO review, the District shall:

1. The District began efforts to utilize the Pittsburgh Public Transit (PAT) system during the 2020-21 SY. Beginning in the 2021-2022 SY, the District must expand its efforts to include more students. The District shall develop and implement a transition plan to move all qualified students to the PAT system and other fare-based carriers.

2. The District re-negotiated its transportation carrier contract in April 2020 in response to the pandemic. New language reduced the fleet from 100 vehicles to 90 vehicles by school year 2021-22. PASBO recommended a reduction of “more than ten” busses; therefore, the District shall continue to revisit the fleet size to maximize both costs savings and state reimbursement as per Article IV in the transportation contract. By utilizing the PAT system and revisiting bus routes when the district returns to post-pandemic operations, efforts to “right-size” the fleet shall continue. As noted in the Financial Recovery Plan, the PASBO review, and the May 2016 Auditor Generals’ report, the District’s transportation expenditures significantly exceed the formula threshold for approved costs; the \$3M spending gap must be narrowed. The District’s costs are considered extraordinarily high in comparison to similar districts in the area and across the state. For example, benchmark data in the PASBO review cited that Penn Hills’s cost per student transported and cost per vehicle are double the costs of similar districts.

OPSY 6.1	The PHSD shall follow the recommendations provided in the PHSD Technology Review as presented by the PA Association of School Business Officials (PASBO).	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Requires an annual investment of 2% of the total budget. (Salaries, equipment, services) Qualified use of ESSER funds (\$875K, \$791K and \$745K over the next three school years.)
	Responsible Parties	Superintendent, School Board, Business Manager, Director of Technology, Director of Teaching, Learning, and Assessment (TLA), Director of Special Education, Administration, CRO REVISED – EXTENSION OF OPSY 6

Rationale:

As directed through Initiative **OPSY 6 (p.76)** in the FRP, the District contracted with PASBO to conduct a technology review. In the spring of 2020, PASBO presented their findings and recommendations. PASBO recommended that the technology budget should reflect about 2% of the total budget. Approximately twenty-five recommendations appear in the review. Guidelines are provided in the review to assist the District. As per PASBO recommendations, top priority shall be given to a replenishment cycle, infrastructure upgrades, software program upgrades – including Skyward and Pro-soft, servers, insurance, and a technology plan review. ESSER funds are available to support many of these initiatives; however, the District must closely monitor spending in this area and develop a plan to transition away from ESSER funds over the next three years. An additional initiative regarding technology appears in the Academics section. To implement the strategies identified through the PASBO review, the District shall:

1. The pandemic created an opportunity for the District to move to a 1:1 student-to-device ratio. That ratio requires an investment into technological sustainability. The District shall budget long-term for replenishing devices in conjunction with the business manager’s budget planning process. The Director of Technology shall maintain a six-year replenishment cycle list and share at Safety, Buildings and Grounds Committee meetings.

2. The District shall create and prioritize a list of technology infrastructure projects for budgetary purposes. The Director of Technology shall share at Safety, Buildings and Grounds Committee meetings in conjunction with the capital projects list.

3. The District shall upgrade its student management system and its financial management system. The upgrade cycle shall appear on a list maintained in the Director’s office. As per the independent auditor’s recommendation, the District shall consider standardizing the accounting system used for all District Funds by accounting for its student activity funds using its “Pro-soft” accounting software package. All educational software should be pre-approved by the administration.

4. The District shall upgrade its servers as needed. The upgrade cycle shall appear on a list maintained in the Director’s office.

5. The District shall purchase insurance for technology security breaches (at least \$1M or higher as recommended by the insurance provider). The District shall also develop a plan to fund insurance for damaged or lost devices.

6. The District shall revise its Technology Plan to address the technological advances made over the past twelve months due to the pandemic, including support for synchronous instruction.

FIN 1.1	The PHSD shall continue to pursue bond refinance opportunities when the net savings is at least 3%.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Potential \$1M (TBD)
	Responsible Parties	Superintendent, School Board, Business Manager, CRO REVISED – EXTENSION OF FIN 1

Rationale:

As directed through Initiative **FIN 1 (p. 85)** in the FRP, the District began to address its long-term debt problem. The bond refinancing was very successful in the fall of 2019. The three-year \$3.6M debt service bubble has been eliminated, but it created a \$1.7M jump step. **The District must plan ahead for generating enough revenue to meet this jump step in 2022-23. It cannot account for this increase in just one budget year.** Moving forward, it must continue to balance both short-term and long-term benefits of future refinancing transactions. Additionally, potential future transactions must include the Pennsylvania Department of Education early in the process to review the impact of future intercept agreements and payment schedules on cash flow. The District shall explore creative strategies (i.e., cash defeasance strategies) to continue to pay down debt and/or lower interest expense to minimize the financial burden on the taxpayers.

OPE 13	The PHSD shall review its 1) procurement policy and 2) general purchase-order process. It must add administrative procedures that 1) ensure transparency and 2) address pre-approval steps, tracking of deliveries, and securing inventories.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Confirm best product/service/cost for the District and taxpayers.
	Responsible Parties	Superintendent, School Board, Business Manager, Director of Plant Services, CRO NEW

Rationale:

Some findings in the May 2016 Auditor General’s report (released February 2019), referenced in the FRP on p.77, direct the District to avoid practices characterized by the “appearance of impropriety.” For transparency purposes, the business manager shall record all activity related to purchasing products/services, including a description of the step-by-step process, the personnel involved with the bid reviews and evaluations, and the rationale behind the final decision. A summary report shall accompany the final recommendation and be included in the meeting minutes. While the school board shall make the final vote, if they do not follow the recommendation of the committee, then their rationale shall be reflected in the minutes too. The policy shall include language that clearly prohibits direct communication between vendors and board members, particularly during the procurement process.

Additionally, the District’s operational purchasing-order process should be reviewed to ensure that accountability and security measures are in place. A tracking system upon delivery, an inventory system to account for appropriate supply levels, and a securely monitored warehousing location are areas of potential theft. The Business Manager and Director of Plant Services shall account for this process.

OPE 14	The PHSD shall review its district-initiated tax assessment appeal policy and add administrative procedures that ensure transparency.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Increased tax revenue (TBD) Establish cost controls TBD after the audit
	Responsible Parties	Superintendent, School Board, Business Manager, CRO NEW

Rationale:

The District has spent thousands of dollars on legal fees for district-initiated tax assessment appeals, over \$100,000 just in 2020. While being extremely diligent with its tax assessment appeal process, it must establish a transparent process that includes administrative procedures and criteria for pursuing district-initiated appeals. Currently, there is no oversight to the process, and there is no mechanism in place to pre-approve and monitor the appeals on a regular basis. The District shall complete an audit to analyze cost controls for its district -initiated tax assessment appeals for at least three years (2019, 2020, 2021), and the audit should include assistance with developing a new policy and administrative procedures. Paid for by the Transitional Loan fund.

OPE 15	The PHSD shall review its public meetings policy and update language that ensures adherence to Sunshine Laws.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	N/A
	Responsible Parties	Superintendent, School Board, CRO NEW

Rationale:

Similar to other districts in the state, the PHSD is extremely active with business and personnel decision-making. Committee meetings are regularly attended by most of the board members. In order to guard against potential violations of Sunshine Laws, the District shall review its public meetings policy and highlight explicit language regarding communication via email, text, telephone, and personal meetings. Guidelines for executive sessions shall be highlighted in the policy, as well.

OPE 6.1	The PHSD shall provide school board training for new and experienced board directors.	
	Target Date(s)	Start: Immediately (Completed 4/7/21)
	Multi-Year Financial Impact	N/A
	Responsible Parties	Superintendent, School Board, CRO REVISED – EXTENSION OF OPE 6

Rationale:

As directed through Initiative **OPE 6 (p. 70)** in the FRP, the District provided PSBA training for board members in February of 2020. Since the appointment of the Chief Recovery Officer (CRO) in February of 2019, there have been five new members seated on the Board of Education. The next training should include, but not be limited to, the following topics: a review of the Financial Recovery Act and key initiatives in the Second Amendment.

REV 11.1	The PHSD shall create a strategy by which the Public Relations (PR) committee utilizes the charter school enrollment data to strategize efforts to maintain current enrollment and recruit charter school students back into PHSD buildings.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Approximate savings of \$13,500 per regular education student and \$37,000 per special education student (21-22 SY rates) Goal of \$400,000 savings by bringing back 25-30 students
	Responsible Parties	Superintendent, School Board, Business Manager, PR Committee, CRO REVISED – EXTENSION OF REV 11

Rationale:

Initiative **REV 11 (p.97)** in the FRP addresses the need for the District to address the loss of students to charter schools. The District hired a secretary in the business office to accurately track charter school enrollment data. Charter school tuition is one of the major components negatively impacting the District’s financial status. It is essential that this data is utilized by the PR committee to encourage students to remain and/or return to the PHSD. An action plan shall be developed, and progress shall be reported in Finance Committee meetings during the annual budget planning process. The PR committee shall review and/or revise its action plan at least twice a year: fall and spring.

Additionally, at Finance Committee meetings, the business office shall provide monthly charter school enrollment updates. The updates should include specific information regarding the new students that enrolled in a charter school reported by grade level and charter school name. The report shall include the same information for students returning into the PHSD from charter schools.

The overarching goal of the PR committee is to develop a consistent messaging campaign that expounds the good news from each school building, including “educating” the community (rather than just “notifying”) them about any plans to address school culture or enhance school programming. Transitional Loan funds have been earmarked to support this initiative.

OPE 3.1	The PHSD shall update its accounting manual as stated in the 2019-20 independent auditor’s comments.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	N/A
	Responsible Parties	Superintendent, School Board, Business Manager, CRO REVISED – EXTENSION OF OPE 3

Rationale:

As cited in Initiative **OPE 3 (p.67)** in the FRP. The business office shall update its accounting manual as identified in the auditor’s report. Specifically, the District shall formulize in writing the process for performing daily accounting functions such as, but not limited to, general ledger accounting, bank reconciliations, accounts payable, and payroll.

CBA 3.1	The PHSD shall negotiate expiring Collective Bargaining Agreements (CBA's) and personnel contracts. Fiscally responsible strategies should support a quality educational program and efficient operational practices, and they should include a transition plan to stabilize central office positions through the recovery period.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Stabilize the District's leadership capacity. Attract and maintain quality staff. Financial impact TBD after negotiations.
	Responsible Parties	Superintendent, School Board, Labor Leadership, Director of HR, Business Manager, CRO REVISED - EXTENSION OF CBA 3

Rationale:

Initiatives **CBA 3-7 (pp.82-84)** in the FRP direct the board to negotiate collective bargaining agreements with its “recovery” status in mind. Efforts to find financial gains within the current CBA language should be exhausted before adding to the budgeted expenditures. Long-term financial commitments should be avoided with regard to the length of new contracts or extensions. The chart below reflects the years of salary freezes that the employees volunteered in good faith to address the District’s fiscal problems prior to entering moderate recovery status.

X = Freeze Year; Contract Expiration Date

Wage Freezes	93	SCHOOL YEARS								
		2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Act Administrators	X		X						6/30/23	
Superintendent		X	X	X	X	X	X		6/30/23	
Business Manager				X					6/30/23	
HR Director				X	X	X		6/30/22		
Food Service				X	X		7/31/21			
Teachers					X		X	6/30/21		
Plant Service					X	X			6/30/23	
Support Group								6/30/22		

The quality of the PHSD is reflected in the quality of its work force. It is important for stability purposes that the board takes a proactive approach with transitional plans at the highest level of leadership. A short-term strategy to build capacity in central office while managing the recovery process is warranted. Considering the tenure of current personnel in these positions, their upcoming contract expiration dates, and the fact that the District is in recovery, it is critical that a timely and strategic transition plan is implemented. This plan would create temporary assistant superintendent and assistant business manager positions as a crossover/transition bridge – within a year of an anticipated vacancy.

NOTE: See Academic initiatives for further language on negotiations related to professional growth and student achievement.

REV 1.1	The PHSD shall develop a financial strategy to efficiently use the ESSER funds that includes a plan to track these one-time funds for 3 years. The District shall strategically plan modest tax increases for the 2021-22, 2022-23, and the 2023-24 SY's.	
	Target Date(s)	<p>Start: June 30, 2021 – The First Amendment of 2020 directs the board to raise taxes to the Index.</p> <p>The Board <u>shall</u> raise taxes <u>at least to .75 mil.</u></p> <p>See Rationale Below.</p>
	Multi-Year Financial Impact	<p>Financially, the District must address the \$1.7M jump step for debt service in 2022-23. The increase of .75 mill positions the District to meet its obligation for \$1.7 million over a <u>two-year period</u>.</p> <p>NOTE: The District must address the expected shortfall of recurring revenue (when ESSER funds are expended) in order to avoid a potential setback with its recovery progress.</p>
	Responsible Parties	School Board, Superintendent, Business Manager, CRO REVISED – REV 1, OPE 12 & FIRST AMENDMENT

Rationale:

Initiatives **REV 1 (p.86), OPE 12 (p.74), in the FRP, and the First Amendment 2020 (p.2)** direct the District to address its underlying financial structure. Initiative **REV 1.1** is included as a point of emphasis to address the District’s root cause of its underlying financial structure. The financial progress made to date will reverse course unless the school board is practical with its efforts to balance the budget with recurring revenue. The First Amendment already mandates a real estate tax increase to the Index; the Fund Balance policy provides additional guidance regarding a tax increase. These mandates have been adjusted in this amendment due to the impact of the pandemic and the receipt of ESSER relief funds. The District shall “strategically” raise taxes to manage rising recurring costs during the ESSER funding window.

The board raised taxes 1.03 mills last year (2020-21); the 2021-22 tax increase will be lower at .75 mill.

More specifically, to further explain why a nominal tax increase is necessary, the \$1.7M debt service payment is only part of the problem. During the three-year ESSER funding window, operating budgets must address annual recurring and increasing expenditures, such as: (*Estimates)

- 1.) Educational programming, approve additional staff (*\$600,000)
- 2.) Annual transportation increases (*\$268,000)
- 3.) Charter school tuition increases (*\$1.3M)

- 4.) Labor negotiations are active after years of salary freezes by employees. (Costs Unknown)
- 5.) Sustaining technological and capital needs as cited in this amendment
- 6.) Annual benefit increases (*\$873,000)
- 7.) Annual increases for operational costs – 2.4%.

In the past, the District has relied on one-time funding to balance its operational budget rather than raise taxes. The ESSER funds present a potential scenario that may develop into a significant financial setback to the District’s recovery progress. In just two years, without moderate increases to generate recurring revenue, the expenditure gap will be too large to close with only one tax increase in a single year (2022-23) – the District will be challenged to balance the budget without significantly reducing expenditures.

NOTE: Expectations are that state and federal revenue will remain level for the next two years due to ESSER funding. However, any significant new developments regarding the public-school funding formula or unforeseen circumstances that may have a positive impact on the Five-Year Projections shown below, may warrant a revisiting of this initiative.

The District is expecting a second year of savings due to the pandemic which may propel the fund balance into the positive range. This development does not change the District’s need to address the shortfall of recurring revenue over the next three years.

Projections include potential savings from upgrading the facilities and technology.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
GENERAL FUND
EXECUTIVE SUMMARY**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
REVENUES	\$ 90,972,984	\$ 87,219,863	\$ 93,803,823	\$ 93,748,849	\$ 94,956,371	\$ 92,322,988
EXPENDITURES	82,258,157	87,219,863	93,803,823	96,303,265	98,428,377	99,006,747
SURPLUS/(DEFICIT)	8,714,827	-	-	(2,554,415)	(3,472,006)	(6,683,760)
FUND BALANCE - BEG	(8,960,575)	(245,748)	(245,748)	(245,748)	(2,800,163)	(6,272,170)
FUND BALANCE - END	(245,748)	\$ (245,748)	\$ (245,748)	\$ (2,800,163)	\$ (6,272,170)	\$ (12,955,929)

See Appendix G for supporting data for five-year projections.

Academics

Like finances, there has been progress. Initiatives have been implemented involving the use of academic coaches, classroom walkthroughs, formative assessments, and middle school reform. While the pandemic has slowed some of the progress, significant inroads were made to improve the professional culture in the buildings. In order to ingrain these changes throughout the system, the administration must stay diligent with these initiatives to ensure fidelity.

The District has committed to transforming its middle school into a child-centered building by implementing the “middle school concept” for both students and staff. In addition to implementing its “New Directions” center in lieu of the traditional in-school-suspension model, the District has also switched its security model in the building. Through an innovative program advocated by the superintendent, the middle school replaced traditional security guards with Youth Engagement Specialists Staff (YESS) to supervise halls, classrooms, and large space areas. This trailblazing approach to transform the culture in the school building has received the attention of educators in a national magazine, as well as other Districts across the state.

Throughout all of its buildings, if there is going to be significant improvement in student achievement, it starts with a commitment to developing and maintaining a quality instructional staff. The entire organization must understand the link between the adverse financial impact of charter school enrollment/tuition and the improvement of academic performance and school climate. The academic initiatives in the FRP are associated with financial recovery by means of drawing back charter school students. That said, effective professional development must be aligned to these priorities. It requires an environment of professional learning and collaboration that cultivates a professional-growth mindset, and it should be measured by student achievement.

While many roads to improving student achievement exist, the practices identified in the FRP represent fundamental levers that can make a difference at the core of teaching and learning. This revision attempts to clarify the details necessary to implement these levers with fidelity in every classroom. It goes without saying that the student support systems (i.e., school counselors, social workers) are essential for learning to occur as well. These basic research-based practices provide a foundation to support the District’s efforts for educational reform.

The pandemic has impacted schools across the nation by disrupting a known and tried approach to instruction; however, it has also provided an opportunity for the PHSD to address the future of delivering on-line and remote instruction. Now that every student in the PHSD has a device, the District must take advantage of the benefits of using this technology. These devices should be an active part of everyday instruction whether the District is managing a pandemic or not.

Lastly, the District must implement a communication plan that enlightens the community about the transformational goals of the District; one that provides constant messaging about what is happening in each building. Informing the community promotes buy-in, encourages ownership, and improves the chances that more parents will elect to send their children to PHSD schools rather than to charter schools. See Appendices C through F for enrollment updates and trends.

The following initiatives call for diligence, fidelity, and a commitment to excellence.

CBA 3.2, ACA 3.1, 5.1, 7.1	Through negotiations with the Penn Hills Education Association (PHEA), the PHSD shall eliminate language that hinders the successful implementation of the academic components identified in the FRP.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools which is teaching and learning
	Responsible Parties	Superintendent, School Board, PHEA Leadership, Business Manager, Director of Teaching, Learning, and Assessment (TLA), HR Director, Special Education Director, Administration, CRO REVISED– EXTENSION OF CBA 3, ACA 3, 5, 7

Rationale:

This initiative is an extension of Initiative **CBA 3 (p. 82)** in the FRP. Teachers are at the end of a two-year salary freeze, and the District is years away from full financial recovery. The District shall pursue fiscally responsible strategies to reasonably compensate teachers, and negotiations should include the elimination of language hindering best practice to improve student achievement. The following components must be addressed during negotiations as part of a good faith effort to maximize the efforts of teachers to improve academic performance.

- A. Teacher Collaboration Time (ACA 3 p.50 & ACA 5 p.52) – A common theme from discussions with the administration and faculty was the recognition of the value of professional collaboration time. The pandemic created a sense of urgency for teachers to rely on peer support while adapting to the new technological pedagogy. To continue to support an effective professional learning community that engages teachers supporting teachers, there must be more productive time scheduled into the teacher workday for professional collaboration in all buildings. Collaboration shall include data analysis and sharing best practices. Building principals shall ensure that protocols are in place to structure all collaboration activities.
- B. Transfer Language (ACA 7 p.55) – To maximize teacher effectiveness with delivering the academic program, the administration must be able to direct the staff to best meet the students’ needs. Language must enable administrators to direct/manage the staff to do what is best for students and to maximize teachers’ strengths. Involuntary transfers that are not capricious and arbitrary shall be directed by administrators in order to get the right teachers in the right seats on the right bus.
- C. Technological Pedagogy (NEW) – To enhance technological instructional skills in the classroom, the District and staff must commit resources and training to implement best practice with regard to delivering instruction on 1:1 devices in classrooms daily. These devices cannot be stored into closets or on shelves as the effects of the pandemic subside. Opportunity to continue synchronous instruction, as needed, must be maintained at every grade level and in each subject area.

CBA 4.1 ACA 1.1, 4.1	Through negotiations with the Penn Hills Support Educators Association (PHSEA), the PHSD shall eliminate language that hinders the District's efforts to successfully implement the academic components in the FRP.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools which is teaching and learning
	Responsible Parties	Superintendent, School Board, PHSEA Leadership, Director of TLA, Director of Special Education, HR Director, Administration, CRO REVISED – EXTENSION OF CBA 4, ACA 1 & 4

Rationale:

This initiative is an extension of Initiative **CBA 4 (p. 82)** in the FRP. The District shall pursue fiscally responsible strategies that include the elimination of language that may hinder best practice for improving student achievement. The following components must be addressed in negotiations as part of a good faith effort to maximize the effect of teachers on academic performance.

- A. Transfer Language - To address the FRP initiatives (**ACA 1 p.46 & ACA 4 p.51**), transfer language must enable the administration to assign paraprofessionals to maximize their effectiveness with supporting the academic program.

- B. Teacher: Aide Model (ACA 1 p.46 & ACA 4 p.51) – To improve the effectiveness of utilizing aides to support teachers in classrooms, the District shall commit to proper training and data analysis which results in creating productive professional relationships to meet the needs of all students. Also, to clarify Initiative **ACA 1**, which provides the option of using aides in classrooms with 28+ students: it only applies in K-5 classrooms.

- C. **The District shall explore the pros/cons of hiring “certified” instructional aides. Certified defined as holding a four-year college degree or teaching certification. (i.e., impact on costs, collective bargaining agreement). At a minimum, the District shall explore an in-house training program to improve the teacher: aide model, regardless of certification or skill set.**

ACA 14	The PHSD shall commit the necessary resources to continue with providing an effective education via the 1:1 technology device model, including professional development for staff.	
	Target Date(s)	Start: 2021-2022 school year
	Multi-Year Financial Impact	Investment into the core business of schools: teaching and learning; requires a budgetary commitment. See OPSY 6.1 on page 8.
	Responsible Parties	Superintendent, School Board, Director of TLA, Director of Special Education, Director of Technology, Administration, CRO NEW – IN PROGRESS

Rationale:

The PASBO technology review acknowledged the District’s intentions to transition to a 1:1 student-to-device model. The pandemic has accelerated that timeline. Feedback from all stakeholders reflected a keen interest to maintain a virtual option for students/families to consider in 2021-22. To align with 21st Century standards and the changing technological landscape, the District must deliver instruction consistently via 1:1 devices to students in/out of classrooms regardless of a pandemic. The District shall develop a professional development action plan in each building that utilizes the technological expertise of current teachers. The plan should include achievement metrics to measure the effectiveness of the technological instruction.

ACA 15	The PHSD shall develop a plan to address learning loss resulting from the pandemic.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools which is teaching and learning. ESSER Funds of \$1.15M in school years 2022-2023 and 2023-2024
	Responsible Parties	Superintendent, School Board, Director of TLA, Director of Special Education, Administration, CRO NEW – IN PROGRESS

Rationale:

The District has started planning for the learning loss challenge that lies ahead. Many districts are focusing on basic pillars of the curriculum and core subject assessment anchors identified in the Standards Aligned System (SAS) portal. The plan shall include a credit recovery component for failures at each grade level. The District shall use diagnostic assessments to determine student needs and to measure the effectiveness of the plan. The plan shall also explore strategies that include, but are not limited to, expanded tutoring services, teacher training with iPad instruction (including the necessary technology), purchasing resources and materials (reflective of diversity/equity), groupings and interventions, and meeting the mental health needs of students.

ACA 16	The PHSD shall align its curriculum with the PA Core Standards and provide the necessary resources for classroom teachers to deliver effective instruction and classroom interventions to support the curriculum.	
	Target Date(s)	Start: Summer of 2021
	Multi-Year Financial Impact	Investment into the core business of schools: teaching and learning. Commit ESSER funds for resources to support the curriculum and the learning loss plan.
	Responsible Parties	Superintendent, School Board, Director of TLA, Director of Special Education, Administration, CRO NEW - IN PROGRESS

Rationale:

The District had initiated curriculum audits during the 2019-2020 school year. The Math audit conducted by the Allegheny Intermediate Unit (AIU) informed the administration where the District fell short with its curriculum. The pandemic provided an opportunity for the District to deliver its curriculum through Edgenuity, Accelerate Learning, etc. However, there have been mixed results regarding these on-line products. The switch to these digital curriculum programs has raised expectations and rigor throughout the entire organization - the first step to educational reform. The District must analyze the effectiveness of these programs and ensure that the programs are aligned with a universal curriculum - the PA core standards. Time should be invested to adjust the planned instruction guides as needed. The District shall also provide the necessary supplemental resources for classroom teachers to deliver the curriculum consistently across grade levels. They must also eliminate gaps, grade by grade and by subject area. All selected resources should align with the standards. Teachers shall be included in the process with selecting supplemental resources, vertical alignment activities, and reviewing common assessments as they unpack the standards. This initiative is not advocating for a textbook series in this digital age.

NOTE: The District shall ensure that the curriculum can be delivered with unexpected shifts to remote learning.

ACA 3.2 & 5.2	The PHSD shall develop metrics to measure on-going professional growth of staff with regard to the academic initiatives identified in the Financial Recovery Plan and Second Amendment of the FRP.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools: teaching and learning.
	Responsible Parties	Superintendent, School Board, Director of TLA, Director of Special Education, Administration, CRO REVISED – EXTENSION OF ACA 3 AND ACA 5 IN PROGRESS

Rationale:

As identified in Initiatives **ACA 3 (p.49)** and **ACA 5 (p.52)** in the FRP, the District shall continue with its efforts to implement best practice strategies to improve instruction. The purpose of this initiative is to master the skills already identified in the original FRP. The administration shall maintain data that monitors teacher growth with the identified strategies implemented during the 2019-20 and 2020-21 school years. To implement the strategies identified in the original FRP, the District shall:

- A. Walkthroughs – Feedback from both administrators and teachers cited that the increase in walkthroughs has been instrumental in initiating a change in culture in building classrooms. The administration shall continue to conduct classroom walkthroughs regularly (daily/weekly). The walkthroughs will continue to focus on formative assessment practices and essential questioning skills; however, the observable data will be expanded (See below). All teachers shall be supported in a positive manner and are expected to master these skills that are linked to Domain 3 of the Danielson Framework for Teaching. The goal is to reach 100% fidelity.
- B. Identify relevant observable data associated with formative assessments and essential questioning - To create fidelity in all classrooms, the District shall develop consistent and relevant walk-through data. The District shall develop an expanded walkthrough checklist that includes, but not limited to, the following: observing wait time for student responses, providing immediate feedback to student responses, and using three-deep questioning skills. The District shall also develop a tiered list of various formative assessment strategies. The administration shall seek evidence of how the teachers actually use the formative assessments to drive instruction. To measure effectiveness, the District shall identify weaknesses in student performance through data analysis, then good practice should be measured by evidence of student achievement.
- C. During the 2019-2020 SY, the administrators attended professional development classes as directed in Initiative **ACA 5**. The classes focused on research-based learning principles. As the staff masters the formative assessment and questioning skills, the principals shall develop and implement a plan to incorporate the “How People Learn” and “Instructional Design Principles” to expand teachers’ instructional toolboxes.
- D. Professional Development Model – The District shall tap into the expertise that exists amongst the current staff. Each building shall develop an action plan that reflects teachers supporting teachers. Professional development must focus on formative assessment, questioning skills, technological instructional skills. Then the administration should expand to implementing the learning strategies referenced above.
- E. Note: It is essential that the administration develops trust among the staff and recognizes the value of its staff as professional development needs are met. It is also critical that the District diligently raises the bar of expectations for both students and staff. Professional growth shall be measured by student achievement indicators.

OPSY 4.1	The PHSD shall review its special education programming as per IDEA regulations. The District shall also review practices to ensure consistency across all grade levels.	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools: teaching and learning. Potential Staffing Impact
	Responsible Parties	Superintendent, School Board, Director of Special Education, CRO REVISED – EXTENSION OF OPSY 4 – IN PROGRESS

Rationale:

Initiative **OPSY 4 (p.76)** in the FRP addresses the special education audit. Based upon findings of a special education audit conducted by the state in 2020-2021, the District shall remedy issues related to supplemental services and caseloads. The District shall also conduct an independent review to ensure that programming/services are consistent with “best practice” and are evident across all grade levels in each building.

ACA 7.2	The PHSD shall implement the Middle School Concept as guided by the PA Association for Mid-Level Education (PAMLE) and PA Training and Technical Network (PaTTan).	
	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into the core business of schools which is teaching and learning.
	Responsible Parties	Superintendent, School Board, Director of Teaching, Learning, and Assessment (TLA), Director of Special Education, Middle School Administration, CRO REVISED - EXTENSION OF ACA 7 – IN PROGRESS

Rationale:

As a result of implementing Initiative **ACA 7 (p.54)** in the FRP, the school board committed to transforming Linton Middle School into a child -centered school building in 2020-21. The pandemic has delayed a full implementation of the “middle school concept” because the hybrid model limited the number of students in the building. Grade 5 was moved into the elementary building; the middle school is now grades 6-8.

The administration began the transformation efforts during the current 2020-21 school year; they have partnered with PaTTan and PAMLE. Professional development regarding the “middle school concept” is mandatory for all staff, beginning with a required reading of This We Believe by PAMLE. The administration shall manage the middle school staff to ensure that an appropriate “middle school mindset” is evident in every classroom. Climate surveys shall be conducted in the fall and spring to monitor progress and inform next steps for improvement. Feedback from stakeholders reflects that there is a need for professional growth related to creating the proper middle school mindset in the building. As a part of the District’s PR plan to address negative perceptions regarding the middle school, a consistent messaging plan shall be developed and implemented to educate the community stakeholders about the transformational changes occurring in Linton Middle School.

ACA 7.3	The PHSD shall expand the YESS security model into the elementary and high school buildings.	
	Target Date(s)	Start: 2021-2022 School Year
	Multi-Year Financial Impact	Investment into transforming the culture in all buildings. Redirect Security Funds
	Responsible Parties	Superintendent, School Board, Administration, CRO REVISED – EXTENSION OF ACA 7 – IN PROGRESS

Rationale:

As per Initiative **ACA 7 (p.54)** in the FRP, the District implemented an innovative alternate to traditional building security in the middle school during the 2020-21 school year. Conventional security guards were replaced with Youth Engagement Specialists Staff (YESS). These specialists are trained to interact appropriately with students, to intervene swiftly without escalating acting-out behavior. This approach to supervision has contributed to shifting the culture in the middle school building. Positive reports from the administration and staff have warranted an extension of this model into the other two school buildings.

ACA 3.3, 5.3, 7.4	The PHSD shall implement disciplinary policies and practices that reflect restorative justice principles.	
	Target Date(s)	Start: 2021-2022 School Year
	Multi-Year Financial Impact	Investment into transforming the culture in all buildings.
	Responsible Parties	Superintendent, School Board, Director of TLA, Administrators, CRO REVISED- EXTENSION OF ACA 3, 5, 7 - IN PROGRESS

Rationale:

As an extension of Initiatives **ACA 3, 5, 7 (p.49, p.52, p.55)** in the FRP, the District shall re-visit its Code of Conduct. The District shall transition from compliance-centered disciplinary policies and practices into restorative disciplinary practices in all buildings. Discipline should focus on lessons learned and mutual respect. The “New Directions” model shall be replicated (age-appropriate) in the elementary and high school buildings. The traditional in-school-suspension model at the high school shall be replaced with a restorative justice model. Students and staff alike, must understand the balance between consequential accountability and responsible decision-making skills. To quote a teacher, “How do we make school the kids’ favorite place to be?” The mindset of the adults can create the culture necessary in the building to transform students’ attitudes. Educators cannot control what happens outside the walls of a school, but they can make a difference during the hours when they interact with students. The District shall provide the appropriate professional development to successfully implement the new model. As a part of the District’s PR plan to address negative perceptions about its schools, a consistent messaging plan shall be developed and implemented to educate the community stakeholders about these changes.

ACA 8.1 The PHSD shall address absenteeism across all employee groups, starting with labor groups that impact classrooms and student performance.

	Target Date(s)	Start: 2021-2022 School Year
	Multi-Year Financial Impact	Investment into improving achievement across the board.
	Responsible Parties	Superintendent, School Board, Employee Leadership, Administration, CRO REVISED – EXTENSION of ACA 8 (p.57)

Rationale:

In line with Initiative **ACA 8 (p.57)** in the FRP, to eliminate the negative impact of teacher absenteeism on student achievement, this problem must be addressed. All employees are entitled to utilize bargained benefits without question; however, we cannot ignore its impact on learning. The shortage of substitute teachers exasperates this issue.

All three schools have been cited for chronic attendance among the students in the state’s School Improvement and Accountability reporting system. The District shall address this same issue with its employees as a model for students and families in the community to follow. In collaboration with labor leaders, the District shall partner with employee groups to create a plan to improve attendance. To start, the District shall conduct a survey to explore root causes for the absenteeism.

ACA 17 The PHSD shall assess diversity and equity policies and practices across all areas of operations, personnel, and curriculum.

	Target Date(s)	Start: Immediately
	Multi-Year Financial Impact	Investment into improving diversity across the board.
	Responsible Parties	Superintendent, School Board, All Administration, CRO NEW

Rationale:

Equity, diversity, race, and social injustice are common conversations in our society, the workplace, and in our schools. Decisions regarding hiring, curriculum selection, system operations and practices should run through the lens of diversity and equity. Inclusive language should appear in board policies. Good practice should be evident throughout the entire organization. A climate survey shall be conducted each year to measure the District’s efforts to create a sense of community, belonging, and inclusion for all students and staff. The results should be used to guide future planning.

The Mid-Atlantic Equity Consortium partners with PaTTan in Pennsylvania and provides resources that may guide the District toward more equitable and culturally-responsive schools. The consortium provides services to support school efforts to address climate, equity, and cultural responsiveness.

EXIT CRITERIA

The Financial Recovery Act, Section 641-A (9) provides guidance for terminating a district's financial recovery status. The Chief Recovery Officer has identified the following criteria for the PHSD to satisfy in order to submit a request to the Pennsylvania Department of Education for termination from moderate recovery status:

Each criterion must be maintained for three consecutive years before petitioning the state to exit moderate recovery status.

PDE reserves the right to accept or deny the District's request for termination.

1. The District does not request an advance of its Basic Education Subsidy.
2. The District does not need to secure a Tax Anticipation Note.
3. The District maintains a fund balance of at least 5% of annual expenditures and sustains it with a stabilized revenue source.
4. The District sustains a delinquent tax rate at 10% or less.
5. The District approves a balanced budget with recurring revenue rather than rely on one-time funds.
6. The District is compliant with all directives in the Financial Recovery Plan (FRP) as determined by the CRO.

APPENDICES

APPENDIX A

Ed. 12.4.2019

Board of Directors

Mrs. Erin L. Vecchio, *President*
 Mr. Yusef Thompson, *Vice President*
 Ms. Jackie Blakey-Tate
 Mrs. Evelyn Herbert
 Dr. Robert Marra
 Dr. Elizabeth Rosemeyer
 Mr. Michael Tauro
 Mrs. Meryl R. Thomas
 Mr. Kristopher Wiegand

PENN HILLS SCHOOL DISTRICT**ADMINISTRATIVE OFFICES**

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**Staff**

Dr. Nancy J. Hines
Superintendent

Janet M. Langford
Board/Superintendent Secretary

Bruce E. Dice & Associates, P.C.
Solicitor

June 30, 2020

Daniel J. Matsook, Ed. D
 Chief Recovery Officer
 Penn Hills School District

The Honorable Pedro Rivera
 Secretary, Department of Education
 Commonwealth of Pennsylvania
 333 Market Street
 Harrisburg, PA 17126

Dear Secretary Rivera,

Last June (2019), the Penn Hills School Board approved the Financial Recovery Plan (FRP), and in July (2019) you followed suit. Because the Board did not raise taxes as directed in the FRP, and you did not want to hold up the implementation of the FRP, I was directed to provide an amendment explaining how we were going to replace the lost revenue described in initiative REV 1.

On May 26, 2020, I submitted my final draft of the Amendment to the Financial Recovery Plan to the Penn Hills School Board for their inspection. As per Section 652-A(a)(1) of Act 141 of 2012, I provided copies of the Amendment to the school district business office, the superintendent of the school district, the solicitor of the school district, and each member of the advisory committee. The Amendment was placed on file for public inspection in the superintendent's office and made available on the school district's publicly accessible internet website for 30 days as per Section 652-A(b) of the same Act.

On June 29, 2020, the Amendment was submitted to the Penn Hills School Board to be approved or disapproved at its public voting meeting. I am pleased to report that the Amendment to the Financial Recovery Plan was approved unanimously (9-0) by the Board of Directors. A copy of the official minutes for this agenda item is included with this letter.

Under Section 652-A(d)(1) of Act 141 of 2012, I am submitting the Amendment to the Financial Recovery Plan for the Penn Hills School District to you for review and approval. A hard copy of this letter and Financial Recovery Plan will follow via U.S. Postal Service.

Respectfully submitted,

Dan Matsook
 Chief Recovery Officer
 Penn Hills School District

Electronic Cc: David W. Volkman, Executive Deputy Secretary

The Penn Hills School District does not discriminate on the basis of age, race, color, national or ethnic origin, sex, or handicap in employment practices or in administration of any of its educational programs and activities in accordance with applicable federal statutes and regulations. Eileen Navish has been identified as the Title VI/Title IX/Section 504/AMD Coordinator, Penn Hills School District, 260 Aster Street, Pittsburgh, PA 15235, (412) 793-7000 ext. 1231, email: enavish@phsd.k12.pa.us.

FINANCIAL RECOVERY PLAN

FIRST AMENDMENT

**PENN HILLS SCHOOL DISTRICT
ALLEGHENY COUNTY, PENNSYLVANIA**



Prepared for the

Penn Hills School District

By

Chief Recovery Officer

Dr. Daniel J. Matsook

With the assistance of

Michael V. Lamb, CPA, CGFM

PDE Technical Consultant

Submitted: May 26, 2020

Approved by Penn Hills School Board on

June 29, 2020

First Amendment of Financial Recovery Plan

AMEND 1 The PHSD <u>shall</u> increase real estate taxes.		
	Target Date(s)	Start: July 2019; End: June 2020 Start: July 2020; End: June 2021 Start: July 2021; End: June 2022 Start: July 2022 and Beyond
	Multi-Year Financial Impact <u>NOTE:</u> This Amendment Shall be Approved <u>PRIOR</u> to the Vote to Approve the 20-21 Budget.	<p><u>2019-2020:</u> Approximately \$2.8 Million (1.4 to the index and 1.4 over the index to the approved exceptions) NOT APPROVED BY THE SCHOOL BOARD</p> <p><u>2020-2021:</u> The Board SHALL approve at least a .75 mil increase, generating \$1M (Recommend* taxes to include exceptions \$2.2M)</p> <p><u>2021-2022:</u> The Board SHALL approve at least a property tax increase to the Index, generating approx. \$1.5M ** (Recommend* taxes to include exceptions approx. \$2M**)</p> <p>*NOTE: Any tax increase below the recommended level may result in more expenditure cuts</p> <p>**NOTE: Index/Exceptions TBD</p> <p><u>2022/Beyond</u> The CRO shall present an amended plan based upon the progress made in the first three years. <u>Target Date:</u> February 1, 2022</p>
	Responsible Parties	School Board, Superintendent, Business Manager, CRO

Rationale:

The preliminary budget approved by the board in February 2019, included a \$10 million deficit. Since that date, the school board reacted responsibly to reduce expenditures by approximately \$12 million while minimizing the impact on educational programming. However, a revenue void was created due to the board’s reluctance to raise real estate taxes to balance the budget in June 2019. The District’s current struggle with balancing its 20-21 budget is rooted in their decision to forego a tax increase.

Strategically, the recovery plan reflects 75% in expenditure reductions (\$12M) and 25% in tax revenue increases (\$3M). This ratio was established because the District cannot tax its way out of recovery. They need an approach that includes strategic cuts (\$12M) that protect the integrity of the educational program, and an appropriate level of tax revenue (\$3M) to support the District's assets.

To support the District in this time of uncertainty brought on by the COVID -19 pandemic, the board shall raise taxes at least to .75 mil in the 2020-2021 budget. Considering the plight of the community, this increase represents a modest attempt to mitigate the anticipated damage to the budget due to the pandemic.

To recover revenue lost due to over-reliance on one-time funds to balance the 20-21 budget, the board shall raise taxes at least to the Index for the 21-22 budget. Without a tax increase, a large deficit will return. The planning for 21-22 begins in six months.

The estimated tax revenue generated through two consecutive years replaces revenue lost in 19-20. However, it is highly recommended to maximize property tax revenue to minimize further cuts that may impact educational programming.

Moving forward, the District shall follow sound financial business practices to balance future budgets, appropriately utilizing both recurring tax revenue and one-time revenue streams to balance its budget. Future budget planning should include a minimum three-year budgetary projection for the Board to review. This practice will enable the district to avoid an overreliance on one-time funds to manage its operational budget. The Board shall also attempt to keep 0.5% of its operational budget in a reserve line for unexpected expenses. An important exit criterion for recovery districts requires that the fund balance reach the state-recommended level, which is 5% of the total expenditures for Penn Hills. The Board shall follow the revised Fund Balance Policy #620, which requires tax increases when the fund balance is in a deficit position.

Due to COVID – 19, the CRO shall re-visit the FRP during the 21-22 school year and provide an amended plan based upon the progress impacted by the pandemic and/or other factors.

Financial Recovery Plan - Initiative Progress Report

INITIATIVE	TOPIC	Status As of February 2021		
CON 1	Garbage Contract	Completed May 2019	Revisit as Needed	KEY GREEN – COMPLETED Revisit Yearly (46) YELLOW – IN PROGRESS On-Going (5) BLUE – TO BE AMENDED Revision (14) WHITE – ON HOLD To Be Determined (10)
CON 2	Insurance Broker	Completed May 2019	Revisit as Needed	
OPE 1	Supplies	Completed June 2019	Revisit Yearly	
ACA 12	Supplementals	Completed June 2019	Revisit Yearly	
ACA 13	Athletics	Completed June 2019	Revisit Yearly	
REV 1	Real Estate Taxes	Incomplete June 2019	TBD	
		Completed* June 2020	To Be Amended	
REV 12	Transitional Loan	Completed June 2019	To Be Amended	
OPE 9	Time Mgt. System	Completed July 2019	Completed July 2019	
HR 1	Resume Assistance	Completed June 2019	Revisit as Needed	
OPE 8	Direct Deposit	Completed July 2019	Completed July 2019	
ACA 7 (Pt. 1)	Middle School Model	In Progress August 2019	To Be Amended	
ACA 10	District Program Plans	Completed Sept. 2019	Completed Sept. 2019	
OPE 10	Auditor General Report	Completed Sept. 2019	Completed Sept. 2019	
CON 4	Solicitor RFP	Completed Sept. 2019	Revisit as Needed	
ACA 2	Kindergarten Sections	Completed Oct. 2019	Revisit Yearly	
OPE 11	Health Care Programs	Completed Oct. 2019	Revisit Yearly	
OPSY 1	Buildings and Grounds Audit	Completed Nov. 2019	To Be Amended	
OPSY 2	Transportation Audit	Completed Nov. 2019	To Be Amended	
CON 6	Transportation Contract	Completed March 2020	Revisit as Needed	
CBA 8	Early Retirement Incentive	Completed Dec. 2019	Completed Dec. 2019	
OPE 3	Administrative Manuals	In Progress Dec. 2019	To Be Amen	
OPE 12	Fund Balance Policy	Completed Dec. 2019	Completed Dec. 2019	

OPSY 3	Cafeteria Audit	On Hold	
OPSY 4	Special Education Audit	In Progress	To Be Amended
CON 5	Food Mgt Contract	Completed Jan. 2020	Revisit as Needed
ACA 9	Forbes Road CTC	Completed Feb. 2020	Revisit Yearly
ACA 7 (Pt. 2)	Middle School Climate	In Progress Feb. 2020	To Be Amended
CBA 2	Meet & Discuss	On Hold	TBD
OPE 2 OPE 7	Close Middle School Pool Close Middle School	On Hold	TBD
		On Hold	TBD
OPSY 5	Security Audit	On Hold	TBD
OPSY 6	Technology Audit	Completed March 2020	To Be Amended
CBA 1	Outsource Options	On Hold	TBD
CON 3	Security Contract	In Progress April 2020	In Progress
CON 7	Technology Contracts	Completed April 2020	Revisit as Needed
OPSY 7	Insurance Audit	Completed May 2020	Revisit as Needed
CBA 3	Teachers Contract	In Progress Jan. 2021	In Progress Jan. 2021
CBA 4	Support Contract	Completed May 2020	Revisit as Needed
CBA 5	Custodians Contract	Completed May 2020	Revisit as Needed
CBA 6	Food Service Contract	In Progress Jan. 2021	In Progress Jan. 2021
CBA 7	Administrators Contract	Completed May 2020	Revisit as Needed
CON 8	Vendors Contracts	Completed May 2020	Revisit as Needed
ACA 1	Teacher Furloughs	Completed June 2020	Revisit as Needed
ACA 4	Paraprofessional Furloughs	Completed June 2020	Revisit as Needed
ACA 11	Administration Furloughs	Completed June 2020	Revisit as Needed
PL 1	Custodians Furloughs	Completed June 2020	Revisit as Needed
SEC 1	Secretaries Furloughs	Completed June 2020	Revisit as Needed

FS 1	Cafeteria Furloughs	Completed June 2020	Revisit as Needed
ACA 8	Staff Absenteeism	In Progress June 2020	To Be Amended
OPE 4	Consortium Options	Completed June 2020	Revisit as Needed
OPE 5	Shared Services	On Hold	TBD
REV 2	Delinquent Taxes	Completed June 2020	Revisit Yearly
REV 3	Earned Income Tax	Completed June 2020	Revisit Yearly
REV 4	ACCESS Reimbursement	Completed June 2020	Revisit Yearly
REV 5	Bussing Reimbursement	Completed June 2020	Revisit Yearly
REV 6	Cafeteria Revenue	Completed June 2020	Revisit Yearly
REV 7	Event Rates	Completed June 2020	Revisit as Needed
REV 8	Chiefs Academy	Completed June 2020	Revisit as Needed
REV 9	Special Education (Out vs In)	On Hold	In Progress
REV 10	Grant Writing	In Progress June 2020	In Progress
REV 11	Public Relations	In Progress June 2020	To Be Amended
REV 13	Subsidy Increase	Completed June 2020	Revisit Yearly
REV 14	Charter School Tuition	Completed June 2020	Revisit Yearly
REV 15	Legislation Topics	Completed June 2020	Revisit Yearly
REV 16	KOZ Zones	On Hold	TBD
REV 17	Education Foundation	On Hold	TBD
REV 18	Non-Profit Ideas	On Hold	TBD
REV 19	Leasing Opportunities	Completed June 2020	Revisit Yearly
ACA 3	Academic Coaches	In Progress June 2020	To Be Amended
ACA 5	Achievement Ideas	In Progress June 2020	To Be Amended
ACA 6	Testing Options	Completed June 2020	Revisit Yearly
FIN 1	Debt Service	Completed June 2020	Revisit Yearly
OPE 6	Board Training	Completed June 22020	Revisit Yearly
Amendment	Tax Increase/Balance Budget	Completed * June 2020	To Be Amended
Revision		In Progress Jan. 2021	In Progress

In-House Student Enrollment Update

Below are enrollment charts from the Financial Recovery Plan that have been updated for the Second Amendment. The first chart is the twelve-year history updated to include school years 2019-20 and 2020-21. The second chart represents enrollment numbers by grade level. The PHSD in-house student enrollment continues to decline.

Twelve-Year Historical Enrollment: In-House Enrollment (All-Students)

YEAR	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
STUDENTS	4,284	3,987	3,903	3,908	3,986	3,851	3,603	3,422	3,360	3,296	*3,204
CHANGE		(297)	(84)	5	78	(135)	(248)	(181)	(62)	(64)	(92)

*As of April 2021

2020-2021 School Year (By Grade-Level)

GRADE	Pre-K	K	1	2	3	4	5	6	7	8	9	10	11	12
STUDENTS	N/A	204	239	239	225	217	233	200	266	239	309	282	250	301
						ES	1,357		MS	705			HS	1,142
													TOTAL	3,204

*As of April 2021

APPENDIX D

In-House Special Education Enrollment Update

The District's special education enrollment remains high. The updated numbers reflect that the District's special education percentage is 8% higher than the state average. Districts with a high percentage (over 16%) of special education students experience a significant variance in the charter school tuition formula for special education population. Legislation reform regarding this formula would save the District over \$1M for charter school special education tuition.

While not included here, grade level enrollment data are available for analysis and planning purposes. The data are also disaggregated for outplacements, gifted, 504 students, and speech services.

Twelve-Year Historical Enrollment: In-House Enrollment (Special Education)

YEAR	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
STUDENTS	722	762	760	727	747	802	765	*821	826	**809
Percentage	16.6%	19.3%	19.4%	18.2%	19.3%	22.2%	22.5%	*24.4%	24.9%	25.5%
State Avg.	15.1%	15.3%	15.4%	15.6%	15.9%	16.5%	16.9%	17.3%	17.8%	N/A

*Corrected **April 2021

APPENDIX E

Charter School Student Enrollment Update

The charter school enrollment continues to rise. This enrollment trend is the one of the major factors negatively impacting the District's financial status and recovery efforts.

While not included here, grade level enrollment data are available for analysis and planning purposes. The data is disaggregated for special education and cyber-charter students.

CHART A: Twelve-Year Historical Enrollment: Charter Schools

YEAR	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Charter	513	627	561	623	590	653	715	670	752	728
Cyber-Charter	183	181	176	190	145	126	101	163	144	218
TOTAL	696	808	737	813	735	779	816	833	896	*946

*As of April 2021

Student Enrollment Projections

Below are projections of student enrollment trends adjusted with actual numbers from 2018-2019 through 2020-2021. Numbers continue to decline, but at a slower rate.

Enrollment Projections

School Year	*PDE	% Change from Previous Year	**Penn Hills	PHSD Annual Change
2016-2017	3,569	Actual	3,603	
2017-2018	3,388	Actual	3,422	(181)
2018-2019	3,236	Actual	3,360	(62)
2019-2020	3,296	Actual	3,296	(64)
2020-2021	3,193	Actual	3,204	(92)
2021-2022	3,122	-2.2%	3,133	(71)
2022-2023	3,099	-0.7%	3,110	(23)
2023-2024	3,053	-1.5%	3,064	(46)

*From PDE website

**From local PIMS database

PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
GENERAL FUND
EXECUTIVE SUMMARY

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
REVENUES	\$ 90,972,984	\$ 87,219,863	\$ 93,803,823	\$ 93,748,849	\$ 94,956,371	\$ 92,322,988
EXPENDITURES	82,258,157	87,219,863	93,803,823	96,303,265	98,428,377	99,006,747
SURPLUS/(DEFICIT)	8,714,827	-	-	(2,554,415)	(3,472,006)	(6,683,760)
FUND BALANCE - BEG	(8,960,575)	(245,748)	(245,748)	(245,748)	(2,800,163)	(6,272,170)
FUND BALANCE - END	(245,748)	\$ (245,748)	\$ (245,748)	\$ (2,800,163)	\$ (6,272,170)	\$ (12,955,929)

PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
GENERAL FUND
REVENUE

	Actual 2019-2020	Budgeted 2020-2021	Projected 2021-2022	Projected 2022-2023	Projected 2023-2024	Projected 2024-2025
Revenue from Local Sources						
6111 Current Real Estate Taxes	\$ 39,209,464	\$ 39,099,344	\$ 41,972,773	\$ 43,062,773	\$ 44,152,773	\$ 44,594,301
6113 Public Utility Realty Tax	42,167	42,167	47,057	44,659	44,659	44,659
6114 Payments in Lieu of Current Taxes/State & Local	14,986	13,083	14,986	16,685	16,685	16,685
6140 Current Act 511 Tax - Flat Rate Assessments	34,360	37,719	34,263	37,957	37,957	37,957
6150 Current Act 511 Tax - Proportional Assessments	5,386,574	4,886,240	5,441,210	5,550,034	5,550,034	5,661,035
6400 Deliq. on Taxes Levied/Assessed by the LEA	3,730,217	4,818,164	3,445,724	3,445,724	3,445,724	3,445,724
6500 Earnings on Investments	120,544	48,470	3,700	50,000	50,000	50,000
6700 Revenue from Student Activities	36,975	36,975	-	35,000	35,000	35,000
6831 Federal Rev. Rcvd. From Other PA Public Schools	70,071	9,938	6,514	-	-	-
6832 Federal IDEA Pass Through Revenue	893,586	893,888	898,588	900,000	900,000	900,000
6910 Rentals	76,115	88,495	22,826	100,000	100,000	100,000
6920 Contributions & Donations from Private Sources	-	5,000	-	-	-	-
6991 Refunds of Prior Years Expenditures	23,874	30,000	72,000	-	-	-
6999 All Other Local Revenues Not Specified	177,102	170,000	75,000	75,000	75,000	75,000
Total	49,816,035	50,179,483	52,034,641	53,317,832	54,407,832	54,960,361
Revenue from State Sources						
7110 Basic Education Funding (Gross)	17,875,326	17,866,202	17,892,446	18,250,295	18,250,295	18,615,301
7160 Tuition - Orphans & Children Placed in Priv. Homes	27,590	10,683	27,590	4,500	4,500	4,500
7170 School Improvement Grants (Empowerment)	2,000,000	-	-	-	-	-
7271 Special Education Funding for School Aged Pupils	3,508,415	3,536,005	3,508,415	3,578,583	3,650,155	3,723,158
7299 PRRI	149	-	149	-	-	-
7311 Transportation (Regular & Additional)	2,447,102	2,274,317	2,605,983	2,658,103	2,711,265	2,765,490
7312 Nonpublic Pupil Transportation	516,670	516,670	532,070	542,711	553,566	564,637
7320 Rental & Sinking Fund Payments	431,004	548,690	548,654	559,627	570,820	582,236
7330 Health Services	62,948	62,948	65,970	67,289	68,635	70,008
7340 State Property Tax Reduction Allocation	2,359,561	2,359,687	2,359,687	2,359,687	2,359,687	2,359,687
7360 Safe Schools	70,034	700,641	300,000	-	-	-
7505 Ready to Learn Grant	850,686	850,686	850,686	850,686	850,686	850,686
7506 PA SMART Grant	9,722	-	-	-	-	-
7599 Other State Revenue	401,165	-	-	-	-	-
7820 Revenue for Retirement Payments	5,246,715	4,313,011	4,564,193	4,467,005	4,467,005	4,469,407
Total	35,807,087	33,039,540	33,255,843	33,338,487	33,486,614	34,005,110
Revenue from Federal Sources						
8514 NCLB Title I - Imprv. Acad. Ach. (Disadvantaged)	1,364,205	1,552,396	1,515,454	1,515,454	1,515,454	1,515,454
8515 NCLB Title II - Prep/Trng/Recruit. HQ Tchrs/Prin	182,276	214,147	210,615	210,615	210,615	210,615
8517 NCLB Title IV - 21st Century Schools	79,536	106,448	106,448	106,448	106,448	106,448
8690 Restricted Fed. Grants-in-Aid Through the Comm.	-	1,152,849	-	-	-	-
8741 ESSER Funds	-	-	6,655,822	4,735,013	4,704,408	1,000,000
8810 SchI Based ACCESS Med Reimb Prog	600,000	500,000	-	500,000	500,000	500,000
8820 Medical Asst Reimb for Admin Claiming	22,333	25,000	25,000	25,000	25,000	25,000
8731 ARRA- Build America Bonds	1,839,830	-	-	-	-	-
Total	4,088,180	3,550,840	8,513,339	7,092,530	7,061,925	3,357,517
Other Financing Sources						
9340 Debt Service Transfers	6,682	-	-	-	-	-
9400 Sale of/or Compensation for Loss	20,000	450,000	-	-	-	-
9200 Transitional Loan Funds	1,235,000	-	-	-	-	-
Total	1,261,682	450,000	-	-	-	-
Grand Total	\$ 90,972,984	\$ 87,219,863	\$ 93,803,823	\$ 93,748,849	\$ 94,956,371	\$ 92,322,988
Change YR to YR	\$ (2,773,876)	\$ (3,753,121)	\$ 6,583,960	\$ (54,974)	\$ 1,207,521	\$ (2,633,383)
% Change YR to YR	-2.96%	-4.13%	7.55%	-0.06%	1.29%	-2.77%

PENN HILLS SCHOOL DISTRICT
 FINANCIAL PROJECTION
 GENERAL FUND
 EXPENDITURE SUMMARY

	<i>Actual</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Salaries	\$ 25,005,177	\$ 24,652,181	\$ 25,492,399	\$ 25,525,746	\$ 25,525,746	\$ 25,539,470
Benefits	16,155,147	17,322,263	17,687,680	18,561,304	18,836,517	19,116,058
Purchased Services	2,654,997	3,061,038	2,678,061	2,734,478	2,792,249	2,851,406
Transportation	5,576,192	6,343,800	6,611,857	6,769,210	6,930,243	7,095,126
Debt Service	9,241,549	8,837,622	10,648,065	10,755,542	10,870,542	10,985,542
Outside Tuition	19,199,672	20,207,537	21,593,619	22,932,423	24,354,234	25,864,196
Maintenance	2,013,705	3,751,462	4,216,278	3,013,865	3,084,326	2,757,117
Supplies & Dues	522,099	657,166	764,529	1,932,878	1,951,667	820,907
Central Office	465,804	668,590	1,041,517	1,066,513	1,092,110	1,118,320
Athletics	833,738	1,001,778	1,001,280	1,011,412	1,021,564	1,031,805
Technology	590,077	716,426	2,068,538	1,999,894	1,969,181	1,826,799
Total Expenditures	82,258,157	\$ 87,219,863	\$ 93,803,823	\$ 96,303,265	\$ 98,428,377	\$ 99,006,747
Change YR to YR	(8,356,775)	4,961,706	6,583,960	2,499,442	2,125,112	578,370
% Change YR to YR	-9.22%	6.03%	7.55%	2.66%	2.21%	0.59%

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
SALARIES**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Salaries						
Teachers	\$ 18,734,405	\$ 18,422,863	\$ 19,397,468	\$ 19,397,468	\$ 19,397,468	\$ 19,397,468
Administrators (Act 93)	1,687,740	1,553,476	1,591,155	1,591,155	1,591,155	1,591,155
Secretaries	653,069	729,743	686,199	686,199	686,199	699,923
Aides						
Instructional	1,340,889	1,466,030	1,459,303	1,459,303	1,459,303	1,459,303
Health Room	58,266	60,152	60,169	60,169	60,169	60,169
Maintenance	45,479	50,000	97,471	98,933	98,933	98,933
Custodians	2,321,244	2,169,917	2,125,634	2,157,519	2,157,519	2,157,519
Overtime	164,085	200,000	75,000	75,000	75,000	75,000
Total Expenditures	\$ 25,005,177	\$ 24,652,181	\$ 25,492,399	\$ 25,525,746	\$ 25,525,746	\$ 25,539,470

Assumptions:

Teachers

- 2021-2022 wages increased by 2.0%, frozen next two years. Also, includes additional educational positions of \$365,000 to assist in achieving various educational initiatives. (For projection purposes, final numbers are subject to the negotiation process)
- 2024-2025 - no increase is reflected

Act 93 Administrators

- 2021-2022 increased by 1.5%
- 2022-2023 0% increase, contract expires 6/30/23
- 2023-24 and 2024-25 - no increases reflected

Secretaries & Aides

- 2021-2022 wages increased by 1.5%, contract expires 6/30/22
- 2022-2023 through 2023-24 - no increases reflected
- 2024-2025 - a 2.0% increase is reflected (for projection purposes, final numbers are subject to the negotiation process)

Plant Maintenance

- 2021-2022 and 2022-2023 wages increased by 1.5%, contract expires 6/30/23.
- 2023-24 and 2024-25 - no increases reflected

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
BENEFITS**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Benefits						
Health Care						
Medical	\$ 4,172,964	\$ 4,704,132	\$ 4,601,168	\$ 4,716,197	\$ 4,834,102	\$ 4,954,955
Dental	86,480	329,000	235,324	241,207	247,237	253,418
Life	136,036	168,459	167,861	172,058	176,359	180,768
Social Security	1,876,437	1,892,972	1,915,664	1,952,720	1,952,720	1,953,769
PSERS	8,376,564	8,374,828	8,739,495	9,436,783	9,569,248	9,701,437
Unemployment Compensation	116,857	200,000	200,000	204,800	209,715	214,748
Workers Compensation	253,905	372,052	370,470	379,361	388,466	397,789
Other Post Employment Benefits (OPEB)	1,130,703	1,260,820	1,437,698	1,437,698	1,437,698	1,437,698
Uniforms (Maintenance)	5,201	20,000	20,000	20,480	20,972	21,475
Total Expenditures	\$ 16,155,147	\$ 17,322,263	\$ 17,687,680	\$ 18,561,304	\$ 18,836,517	\$ 19,116,058

Assumptions:

- For 2020-2021 through 2023-2024:
 - Health Care insurance includes 2.5% increase over prior year. OPEB benefits to remain flat as no new retirees added to plan.
 - Social Security projected at 7.65% of wages for each year
- PSERS Increases
 - 2021-2022 increased to 34.95%
 - 2022-2023 increased to 35.62%
 - 2023-2024 increased to 36.12%
 - 2024-2025 increased to 36.60%
- Workers Compensation
 - 2020-2021 reflects projected increase based on staffing initiatives.
 - 2021-2022 through 2024-2025 reflect inflationary increase of 2.4%
- Used inflationary increase of 2.4% for 2021-2022 through 2024-2025 for:
 - Tuition Reimbursement
 - Unemployment Compensation
 - Uniforms

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
PURCHASED SERVICES**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Purchased Services						
Security	\$ 412,127	\$ 510,800	\$ 510,800	\$ 523,059	\$ 535,613	\$ 548,467
Intermediate Unit	1,149,123	1,291,225	1,073,547	1,099,312	1,125,696	1,152,712
Substitution Services	270,682	409,060	327,356	327,356	327,356	327,356
Solicitor/Special Counsel	278,015	275,000	278,015	284,687	291,520	298,516
Copiers	173,640	209,154	162,865	166,774	170,776	174,875
Other Professional Education Services	101,893	91,000	100,559	102,972	105,444	107,974
Other Professional Services	269,517	274,799	224,919	230,317	235,845	241,505
Total Expenditures	\$ 2,654,997	\$ 3,061,038	\$ 2,678,061	\$ 2,734,478	\$ 2,792,249	\$ 2,851,406

Assumptions:

- Used inflationary increase of 2.4% for 2021-2022 through 2024-2025 for all line items, except substitution services.
- Substitution Services held flat from 2020-2021 through 2024-2025.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
TRANSPORTATION**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Transportation						
Salaries	\$ -	\$ 45,000	\$ 48,578	\$ 48,578	\$ 48,578	\$ 48,578
Social Security	-	3,716	3,716	3,716	3,716	3,716
PSERS	-	16,656	16,973	17,303	17,546	17,780
Contracted Carriers	5,576,192	6,278,428	6,542,590	6,699,612	6,860,403	7,025,053
Total Expenditures	\$ 5,576,192	\$ 6,343,800	\$ 6,611,857	\$ 6,769,210	\$ 6,930,243	\$ 7,095,126

Assumptions:

- Contracted Carriers - The District is anticipating a 4.2% increase for FY2021-2022 with subsequent inflationary increases of 2.4% thereafter.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
DEBT SERVICE**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Debt Service						
Principal	\$ 2,545,000	\$ 2,505,000	\$ 2,748,500	\$ 4,556,129	\$ 4,671,129	\$ 4,786,129
Interest	6,596,020	6,325,936	6,199,413	6,199,413	6,199,413	6,199,413
Other	100,529	6,686	1,700,152	-	-	-
Total Expenditures	<u>\$ 9,241,549</u>	<u>\$ 8,837,622</u>	<u>\$ 10,648,065</u>	<u>\$ 10,755,542</u>	<u>\$ 10,870,542</u>	<u>\$ 10,985,542</u>

Assumptions:

- Principal and interest payments are based on debt amortization schedules
- Other line item represents interest expense associated with the TAN. No TAN for 2020-2021 and beyond
- FY21-22 Other also includes \$1.6M of future debt service payments to begin budgeting at the appropriate level.
- It should be noted that while the District is pursuing a refinancing that could achieve savings in excess of \$1,000,000, this is not reflected in the current projections at this time due to market uncertainties.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
OUTSIDE TUITION**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Tuition						
Other School Districts in PA	\$ 595,975	\$ 576,915	\$ 549,985	\$ 584,084	\$ 620,297	\$ 658,756
Pennsylvania Charter Schools	15,429,287	16,444,145	17,822,187	18,927,163	20,100,647	21,346,887
Nonpublic Schools	868,595	900,000	900,000	955,800	1,015,060	1,077,993
Institutions of Higher Education	11,904	22,487	22,487	23,881	25,362	26,934
Career and Technology Centers	780,081	780,081	780,081	828,446	879,810	934,358
Approved Private Schools	1,065,893	1,063,821	1,063,821	1,129,778	1,199,824	1,274,213
Private Residential Rehabilitative Institutions	447,937	420,088	455,058	483,272	513,234	545,055
Total Expenditures	<u>\$ 19,199,672</u>	<u>\$ 20,207,537</u>	<u>\$ 21,593,619</u>	<u>\$ 22,932,423</u>	<u>\$ 24,354,234</u>	<u>\$ 25,864,196</u>

Assumptions:

- FY22 reflects the anticipated savings of \$500,000 in recruiting back students who left the District during the pandemic.
- Used 6.2% for annual increase, based on historical trends. Includes combination of students and changes in applicable rates.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
MAINTENANCE / UTILITIES**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Maintenance / Utilities						
Electric	\$ 846,879	\$ 824,674	\$ 849,206	\$ 869,587	\$ 890,457	\$ 911,828
Water / Sewage	112,254	150,167	112,073	114,763	117,517	120,337
Equipment	153,658	1,484,134	555,568	568,902	582,555	596,537
Natural Gas	206,552	284,762	206,552	211,509	216,585	221,784
Gasoline (Transportation)	316,737	437,000	310,777	318,236	325,873	333,694
Repairs and Maintenance	377,625	570,725	222,528	227,869	233,338	238,938
Capital Projects - ESSER/Local	-	-	1,959,574	703,000	718,000	334,000
Total Expenditures	\$ 2,013,705	\$ 3,751,462	\$ 4,216,278	\$ 3,013,865	\$ 3,084,326	\$ 2,757,117

Assumptions:

- 2021-2022 - For Equipment and Repairs and Maintenance - Lowered to reflect cost savings in Recovery Plan
- Used inflationary increase of 2.4% for 2021-2022 through 2024-2025 for all other line items
- As noted in OPSY 1.1, the District is planning to utilize ESSER or local funds to support investments into the District's building improvements over the next three fiscal years.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
SUPPLIES & DUES**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Buildings (Principals)						
Supplies	\$ 470,389	\$ 538,631	\$ 707,564	\$ 724,546	\$ 741,935	\$ 759,741
Dues / Fees	51,710	118,535	56,965	58,332	59,732	61,166
Learning Loss - ESSER/Local	-	-	-	1,150,000	1,150,000	-
Total Expenditures	\$ 522,099	\$ 657,166	\$ 764,529	\$ 1,932,878	\$ 1,951,667	\$ 820,907

Assumptions:

- 2022-2023 and 2023-2024 - The District is required to use a minimum of 20% of ESSER III dollars to address learning loss.
- Used inflationary increase of 2.4% for 2022-2023 through 2024-2025 for all line items
- ESSER - Learning Loss expenditures reflect the financial impact of implementing initiative ACA 14 of the Financial Recovery Plan.

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
CENTRAL OFFICE**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Central Office						
Insurance	\$ 189,425	\$ 197,667	\$ 196,017	\$ 200,721	\$ 205,539	\$ 210,472
Advertising	7,900	6,000	7,900	8,090	8,284	8,483
Telephones	85,368	83,980	83,797	85,808	87,868	89,976
Administrative Services	77,721	63,288	63,612	65,139	66,702	68,303
Professional Development	27,478	38,083	38,083	38,997	39,933	40,891
Other	77,912	279,572	652,108	667,759	683,785	700,196
Total Expenditures	\$ 465,804	\$ 668,590	\$ 1,041,517	\$ 1,066,513	\$ 1,092,110	\$ 1,118,320

Assumptions:

- 2021-2022 Other includes a \$300,000 increase in the District's contingency line item.
- Used inflationary increase of 2.4% for 2022-2023 through 2024-2025 for all line items

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
ATHLETICS**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Athletics						
Athletic Director	\$ 86,004	\$ 86,275	\$ 88,628	\$ 88,628	\$ 88,628	\$ 88,628
Coaches, Clerical, Inst. Asst	363,148	392,622	392,956	392,956	392,956	392,956
Benefits	45,514	28,293	28,293	29,000	29,725	30,468
Social Security	34,003	37,038	37,243	36,841	36,841	36,841
PSERS	106,039	167,158	168,568	171,540	173,948	176,260
Officials	133,496	187,650	187,650	192,154	196,765	201,488
Insurance	13,792	13,792	13,792	14,123	14,462	14,809
Equipment	51,742	88,950	84,150	86,170	88,238	90,355
Total Expenditures	\$ 833,738	\$ 1,001,778	\$ 1,001,280	\$ 1,011,412	\$ 1,021,564	\$ 1,031,805

Assumptions:

- 2021-2022 increased by 1.5%
- 2022-2023 0% increase, contract expires 6/30/23
- 2023-24 and 2024-25 - no increases reflected
- For 2021-2022 through 2024-2025:
 - Health Care insurance projected 2.5% increase over prior year
 - Social Security projected at 7.65% of wages for each year
- PSERS Increases
 - 2021-2022 increased to 34.95%
 - 2022-2023 increased to 35.62%
 - 2023-2024 increased to 36.12%
 - 2024-2025 increased to 36.60%
- Used inflationary increase of 2.4% for 2021-2022 through 2024-2025 for all other line items

**PENN HILLS SCHOOL DISTRICT
FINANCIAL PROJECTION
TECHNOLOGY**

	<i>Actual</i>	<i>Budgeted</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Technology						
Salaries	\$ 163,675	\$ 195,245	\$ 485,605	\$ 485,605	\$ 485,605	\$ 485,605
Group Insurance	39,720	39,259	142,446	146,007	149,657	153,399
Social Security	12,328	14,936	37,148	37,149	37,149	37,149
PSERS	36,718	67,351	169,666	172,973	175,401	177,731
Repairs & Maintenance	21,984	8,000	2,160	2,212	2,265	2,319
Supplies	10,683	2,800	10,145	10,388	10,638	10,893
Replacement Equipment	-	9,600	-	-	-	-
Contracted Services	120,997	112,413	112,413	115,111	117,874	120,703
IT Maintenance	-	41,400	41,400	42,394	43,411	44,453
Technology Software	118,956	146,806	139,806	143,161	146,597	150,116
Capital Equipment Replacement	65,016	78,616	52,724	53,989	55,285	56,612
Capital - ESSER/Local			875,025	790,905	745,300	587,820
Total Expenditures	\$ 590,077	\$ 716,426	\$ 2,068,538	\$ 1,999,894	\$ 1,969,181	\$ 1,826,799

Assumptions:

- Effective for the 2021-2022 budget, the District will reflect functions 2240 along with 2840 for each of the line items shown above.
- 2021-2022 increased by 1.5%
- 2022-2023 0% increase, contract expires 6/30/23
- 2023-24 and 2024-25 - no increases reflected
- For 2021-2022 through 2024-2025:
 - Health Care insurance projected 2.5% increase over prior year
 - Social Security projected at 7.65% of wages for each year
- PSERS Increases
 - 2021-2022 increased to 34.95%
 - 2022-2023 increased to 35.62%
 - 2023-2024 increased to 36.12%
 - 2024-2025 increased to 36.60%
- Used inflationary increase of 2.4% for 2021-2022 through 2024-2025 for all other line items